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Chairman:	Mr. GUERRERO (Vice-Chairman)	(Philippines)
later:	Mr. BALZAN (Rapporteur)	(Malta)
later:	Mr. GUERRERO (Vice-Chairman)	(Philippines)

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(a) TRADE AND DEVELOPMENT

ORGANIZATION OF WORK

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In the absence of the Chairman, Mr. Guerrero (Philippines), Vice-Chairman, took the Chair.

The meeting was called to order at 10.30 a.m.

AGENDA ITEM 78: DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

(a) TRADE AND DEVELOPMENT (A/47/15, vols. I and II, A/47/312-S/24238, A/47/398 and Corr.1, 410, 414 and Add.1 and 636; A/C.2/47/3; TD/364)

1. Mr. SANTOS (President of the eighth session of the United Nations Conference on Trade and Development), introducing the report of the eighth session of the Conference (TD/364), said that it would prove to be a milestone in the history of UNCTAD. Those attending the meeting in Cartagena had launched the idea of a new international partnership for development, bringing together modernization and solidarity, in which cooperation would underpin peace, security and development.

2. The efforts made by various countries, including Colombia, during the preparations for the Conference, with a view to redefining international development cooperation in the new context of East-West détente, had infused UNCTAD with the will to replace the former policies of confrontation by a spirit of cooperation by consensus. The organization had thus emerged strengthened from Cartagena, with its status as the principal body within the United Nations system in the area of international trade and economic development confirmed. Its role as the forum for intergovernmental debate, for the search for consensus and for negotiations had also been confirmed and it had been agreed that all negotiations should follow a common pattern; in order to produce firm commitments, negotiations should proceed in the following stages: joint definition, by consensus, of a relevant set of issues; high-quality analytical work; intergovernmental consultations; and finally identification of areas of convergence and negotiation. Furthermore, UNCTAD was now authorized to become active in areas which had not formerly fallen within its competence, such as the fight against poverty, the relationship between the environment and development from the point of view of sustainable development, and privatization.

3. Issues which had traditionally been UNCTAD's concern would now be tackled from a different perspective, on the basis of three considerations: acceptance of interdependence at the global level, paths to development and the theoretical framework of sustainable development. There would also be a major restructuring of UNCTAD's intergovernmental machinery. It would be a dynamic process of change which would give institutional arrangements a degree of flexibility, allowing them to adapt to changing needs. Initially, the Trade and Development Board would concentrate on the international implications of national macroeconomic policies, trade policies, economic reform, cooperation with the least developed countries and on applications of the concept of sustainable development. Some of its subsidiary bodies had

(Mr. Santos)

been eliminated or modified, with the exception of the Special Committee on Preferences and the Intergovernmental Group of Experts on Restrictive Trade Practices, and four standing committees had been set up, to deal respectively with commodities, poverty alleviation, economic cooperation among developing countries and developing services sectors. The Council would also have five ad hoc working groups, which would examine inter alia questions relating to financial flows, expansion of trading opportunities for developing countries, privatization and the interrelationship between investment and technology transfers.

4. With regard to matters of substance, the Conference, aware of current realities, had decided to modify its own mandate so as to examine new and pressing problems of concern to the world community as a whole. It would work to alleviate poverty throughout the world and to accelerate the economic and social growth of the developing countries within the context of sustainable long-term development based on international cooperation. Offering a definition of sound management, it cited the desirability of adopting macroeconomic policies which would create an international environment that would be open, transparent and non-discriminatory. Given the complexity of monetary and budgetary policies and the impact of structural adjustments, the Conference stressed the importance of the social and human aspects of economic progress.

5. States members had also stressed the need for urgent action at the international level to guarantee the flows of resources which the developing countries needed and, in particular, to arrange for the debtor countries to receive at the appropriate time the resources they needed to sustain their growth programmes. In the new context of East-West détente, efforts should be made to reduce military expenditure and to allocate the resources thus released to development.

6. The Conference reaffirmed the major role of UNCTAD in the area of international trade, emphasizing the need for it to take an active part in the struggle against protectionism and unilateralism, and, in particular, for the secretariat to assist the developing countries in evaluating the results of the Uruguay Round. At the same time, there would be a need for UNCTAD to take part in the analysis of the processes of regional economic and commercial integration, and to assist the developing countries who were involved in such efforts. In that context, the overall framework of an ambitious programme of work had recently been adopted in Geneva for the Standing Committee on Developing Services Sector, with a view to concluding the multilateral agreement for trade in services which was to emerge from the Uruguay Round. The intention was to enlarge the participation of the developing countries in that sector, by providing them with financial assistance and helping them strengthen their legal and institutional structures. Reaffirming the importance of the linkages between technological and social capacities and economic development, the Conference had stressed the need to increase investment flows. Particular stress had been laid on the development of

(Mr. Santos)

environmentally sound technologies, to which the developing countries should have access on favourable terms, and on the strengthening of the indigenous technical capacities of the developing countries and those in transition to a market economy.

7. With respect to commodities, the appropriate commission had been asked to conduct a study to find ways of strengthening markets and restoring the balance between supply and demand. In addition, pricing mechanisms should be improved and policies geared towards sound resource management should be adopted. Aware of the urgency of the problem, Colombia had proposed that a world conference on commodities be convened under the auspices of UNCTAD.

8. Moreover, one of the principal results of the Conference session had been the formal incorporation of the concept of sustainable development in the work of UNCTAD. The Conference had been asked to establish a framework to ensure the compatibility of environmental policies and trade practices, so as to prevent protectionist measures from being adopted on the basis of ecological pretexts. UNCTAD should also devote more study to the transfer of additional resources needed by the developing countries to implement their environment and development programmes and should step up its activities to coordinate poverty alleviation with policies in ecologically vulnerable areas. UNCTAD had also been asked to study the effects of market conditions on the use of natural resources and on the environment. Moreover, the session had provided UNCTAD with guidelines regarding technical assistance to developing countries in those areas and for the preparation of and participation in international negotiations and debates on the environment. In order better to incorporate that aspect in UNCTAD's work, the Conference had decided to deliver a message to the United Nations Conference on Environment and Development recalling that the participants had already instructed UNCTAD in Cartagena to contribute to the implementation of Agenda 21, to be adopted in Rio de Janeiro. Moreover, the Governments which had attended the session of the Conference in Cartagena had agreed to inform the United Nations Conference on Environment and Development that if necessary UNCTAD was prepared to effect further institutional changes to implement the decisions adopted in Rio. In that regard, it should be emphasized that a wide consensus had been reached at the session when texts on the relationship between trade, the environment and sustainable development had been drafted for use at the United Nations Conference on Environment and Development, and that entire excerpts from those texts had been reproduced in the Rio Declaration on Environment and Development.

9. In regard to the least developed countries, the session had achieved modest progress compared with the decisions adopted at its session in Paris in 1990. It had been agreed that an in-depth analysis of development in those countries should be conducted with a view to the formulation of recommendations regarding the situation.

10. The multilateral process of restructuring the intergovernmental mechanism had been successfully completed by the Trade and Development Board and the new

structures were already in place. Furthermore, member countries had undertaken to ensure that those changes resulted in increased participation in the work of UNCTAD by national experts and decision makers and by non-governmental officials thereby allowing the Conference to better respond to the needs of its members.

11. That series of important measures clearly demonstrated UNCTAD's ability to adapt to new realities and significantly contributed to the process of reform currently under way at the United Nations in the economic and social spheres.

12. The "Spirit of Cartagena" which had characterized the discussions at the eighth session of the Conference had given new impetus to international cooperation. Colombia, which had hosted the session, had fulfilled its important mission but, in the next stage, only the political will of the countries which had adopted the Cartagena Commitment would make it possible to realize the vast possibilities for international action.

13. Mr. AKTAN (President of the Trade and Development Board) recalled that the United Nations Conference on Trade and Development at its eighth session had adopted a series of decisions directly affecting the work of the Trade and Development Board. In particular, UNCTAD VIII had redefined the relationship among the Conference's analytical, normative and technical cooperation activities, reoriented the substantive work of its secretariat, evolved new work programmes and agreed on institutional reforms as part of the revitalization of the Organization in the economic and social spheres.

14. Given the new work methodology, UNCTAD should first identify a set of relevant issues and analyse them in depth, and then initiate discussions among Governments with a view to identifying areas of convergence. That process should lead to negotiations, as the culminating point of a consensus-building process designed to identify issues deemed ripe for intergovernmental agreement.

15. Implementing decisions of the session, the Board suspended two of its Committees and established four new standing Committees and five ad hoc Working Groups. Those new bodies, which would begin to meet no later than January 1993, should focus on national experiences and policies so as to allow countries to learn the lessons of past experience and apply them not only at the national level, but also in multilateral economic cooperation. Particular importance was accorded to research and analysis and to technical cooperation, all of which should be given concrete expression through operational activities.

16. Agreement had been reached on guidelines for the convening of the Executive Sessions of the Board at the Permanent Representative level. Those meetings should strengthen the Board's policy function and might allow States members to participate more actively in the preparatory process for Board meetings.

(Mr. Aktan)

17. The Board's spring and autumn sessions had widely been regarded as highly productive. Ideology and confrontation had given way to pragmatism. More time had been spent on substantive deliberations than in the past and experts had been invited to take part; that approach had illustrated the value of negotiations in working to achieve consensus. At the autumn session, a final communiqué had, for the first time, been issued; it could be found in the Board's report (A/47/15, vol. II).

18. The exchanges of views on the international implications of macroeconomic policies had been complemented by an informal discussion with the Working Group of the Committee for Development Planning, which had revealed the need for the developed countries to adopt measures designed to promote recovery in the short term and to remove structural disequilibrium in the longer term. The coordination of macroeconomic policies by the larger economies had been viewed as essential to revive the world economy. At the same time, to ensure the success of measures taken by the developing countries, debtor countries, their creditors and the multilateral financial institutions should strive to solve the debt problem. Lastly, there was great concern over the rise of protectionism and the impasse of the Uruguay Round negotiations.

19. With regard to public enterprises, it was agreed that the privatization of loss-making public enterprises was a serious option, although it was no reason to abandon all forms of government intervention. On the other hand, where the private sector was still embryonic, serious attention should be paid to reforming the public sector to improve profitability and competitiveness. It was widely agreed that both sectors needed to play complementary roles.

20. On the subject of sustainable development, the Rio Conference had underscored the important role which UNCTAD could play in achieving the objectives of Agenda 21. The UNCTAD secretariat and the intergovernmental bodies had been encouraged by the Trade and Development Board to integrate the concept of sustainable development into their work programmes and to give it top priority. The Board would initially concentrate on reconciling environmental and trade policies, bearing in mind the need to ensure that environmental measures did not lead to a strengthening of protectionism. For its part, the secretariat would undertake studies on a range of allied topics, particularly the link between poverty alleviation and sustainable development and methods for internalizing environmental costs into the prices of products.

21. The Board had also discussed the establishment of national mechanisms to promote free trade, and had taken the view that the manner of their implementation should depend on the institutional framework in each country. It had also reviewed the question of official development assistance to the least developed countries and the need to achieve the targets set; the donor countries had expressed their intention to examine the effects of the addition of new countries to the list of least developed countries. The question of the countries of Africa had also been discussed and it had been decided that UNCTAD should give priority to Africa in the deployment of available technical

cooperation resources. In another sphere, the Board had decided to establish a working group to explore the issue of the necessary structural adjustment to ensure a harmonious transition to disarmament.

22. Finally, many delegations had expressed deep concern with regard to the paralysis affecting the UNCTAD/GATT International Trade Centre (ITC) which was still without an Executive Director. ITC had a crucial role to play in promoting the exports of the developing countries, at a time when international trade was crucial for their revival. It was agreed that the Centre should remain a joint body, and thus that the views of GATT should be taken into account on the question of the appointment of its Executive Director, which had become a matter of urgency.

23. Mr. DADZIE (Secretary-General of UNCTAD) said that just when interdependence seemed to have receded into the background and structural reform policies had come to monopolize attention, macroeconomic policy coordination had again thrust itself forward, highlighting the damaging effects of the international environment on the economy of the developing countries.

24. However, in its Trade and Development Report, 1991 the UNCTAD secretariat had warned that the recovery of the industrialized countries might be very weak. It had also pointed out that the deregulation policies of the 1980s, together with the type of monetary and fiscal policies adopted, had increased the potential for instability in the international financial system. It had identified the problem as a shortage not of savings, but of expenditure. The deflationary trend had materialized, and the consequences for the world economy were well known.

25. That phenomenon, which unless contained, might turn into a vicious circle, had not yet evoked an adequate policy response. The global economy was indeed at an impasse. On the one hand, the majority of developing countries and countries with economies in transition were unable to achieve sufficient export growth to underpin their free-market reforms; on the other, in most developed countries, the private sector was unable to take the lead in generating a recovery. There was every risk that protectionism would intensify throughout the world.

26. If the 1990s were not to be, like the 1980s a "lost decade" that was lost for all, the main developed countries should rapidly adopt coordinated measures. First of all, they should lower interest rates, particularly in Europe, where the decline of the dollar was putting stress on currencies tied to the deutsche mark. Secondly, they should adopt budgetary and fiscal measures, taking into account the fact that any cut in public expenditure or rise in tax rates would depress incomes and accentuate the recession. Governments must give a temporary boost to recovery, while carefully maintaining control over the process to avoid a permanent deterioration of public finances. There was admittedly a risk of inflation, but it was a far

(Mr. Dadzie)

lesser risk than deflation. Japan had taken the lead in adopting Keynesian policies, but it could not be expected to revive the world economy alone.

27. Recovery also involved measures to redress the situation in the developing countries by enabling them to enlarge their export markets while providing them with the capital they lacked. Despite positive developments, it would be premature to conclude that the problem of the external indebtedness of those countries had been resolved. The Trinidad terms were to be preferred to the enhanced Toronto terms advocated by the Paris Club, and there was a need to review the modalities of debt-reduction for the poorest countries in order to settle the problem once and for all.

28. Finally, the necessary measures must be taken in the area of international trade. If the trend towards liberalization in the developing countries was accompanied by growing protectionism, the result might be a further worsening in the terms of trade. A successful conclusion to the Uruguay Round should be the prime objective of the international community. As it was, developments in recent weeks scarcely called for optimism. In that clash of the titans, a regression would affect not only the main protagonists in the negotiations, but the economy as a whole.

29. Mr. MASOOD (Pakistan), speaking on behalf of the Group of 77, said that the world economic malaise was continuing, with a decline in global production, a slowing down in growth in the large industrial countries and trends which were heavily weighted against the developing countries, in particular a net deceleration of trade growth. That growth was no more than 3 per cent per year in terms of volume, while exports had increased in value terms by less than 2 per cent in 1991. With the decline in export prices, that had led to a considerable deterioration in the average terms of trade of the developing countries.

30. In difficult circumstances, some developing countries had shown a measure of resilience and an upward trend in trade, but those were not the countries which were most dependent on commodity trade. Market access was one of the main concerns of the Group of 77. A large number of developing countries had liberalized their trade regimes at great social, economic and political cost, whereas the champions of free trade had raised their tariff and non-tariff barriers. Those barriers were costing the developing countries, in terms of lost income, an amount equivalent to twice that of the OECD development assistance and twice that of the annual interest paid on their public external debt. Furthermore, the developed countries spent US$ 320 billion each year on subsidizing their agricultural production and exports, a figure which was more than twice the amount of the export earnings from non-fuel commodities of all the developing countries. The Group of 77 hoped that the principles of the market economy would be extended to international trade and that the developed market economies would open up their markets, since that was essential to the balanced growth of trade, which was, in itself, the single most important factor for world-wide economic growth and development.

(Mr. Masood, Pakistan)

31. Commodity markets suffered from structural distortions, with low and declining real commodity prices. That decline had in 1991 affected virtually all commodity groups. It reflected depressed demand conditions resulting from the recession in the developed countries. The developing countries which depended on commodity sales were unable to increase their investments and were suffering from higher inflation and greater indebtedness. There was a pressing need for measures to remedy that situation, and in particular to introduce mutually beneficial commodity cooperation and to diversify, on the basis of properly planned international assistance, the economies of the developing countries which were too dependent on commodities. Consideration should be given to the possibility of holding a world conference on that question, as recommended at the eighth session of the United Nations Conference on Trade and Development (UNCTAD).

32. The developing countries noted with much concern the deadlock in the Uruguay Round with regard to agriculture; it was all the more regrettable in that the negotiations had already fallen two years behind, a situation which had created grave uncertainty as to the future of the multilateral trading system, to the detriment of all concerned, and especially the developing countries. It was essential that the developed countries should demonstrate their political will to ensure the success of the negotiations and thus create a more favourable external environment for the rapid growth of trade. The Uruguay Round should satisfy the interests of all participants, in particular those of the developing countries. In the field of textiles and clothing, for example, it was important to phase out the Multi-Fibre Arrangement so that the sector could be integrated into the normal GATT rules. A successful outcome to the negotiations would improve the international atmosphere for investment and growth, while any further delay would merely strengthen the forces of recession.

33. The Cartagena Commitment, adopted at the eighth session of UNCTAD, made provision for a substantive restructuring of UNCTAD, a body which had played an extremely useful role in recent decades. The terms of reference of the new ad hoc working groups and standing committees had been formulated with a view to ensuring their maximum impact and efficiency. The constitution of those new entities reflected a reassertion of the basic principle that trade and development were interlinked. The real value of the restructuring would be apparent when those bodies began to function, since their work should be used in other forums dealing with trade and development so that they were closely associated with the entire system. UNCTAD had contributed significantly in the area of macroeconomic analysis and its role in that regard should be further strengthened.

34. In conclusion, the Group of 77 reiterated the importance of the economic interdependence of the developed and developing countries. The commitment of the latter to the restructuring of their economies, often at great sacrifice, would be an exercise in futility unless it was accompanied by an equally determined restructuring of the world economy.

35. Mr. BRUMMEL (United Kingdom), speaking on behalf of the European Community and its member States, said that during the 1980s real prices for many commodities on the international market had declined, and that that had had serious consequences for the many developing countries which were significantly dependent on commodities. Many producers had seen their export earnings greatly reduced as a result of structural imbalances between supply and demand for several key commodities. There had been only moderate growth in demand because of slow world-wide economic growth, the declining use of raw materials and lower import demand in the countries of Eastern Europe and the former Soviet Union.

36. At the same time, supply had increased significantly in both developed and developing countries. That was largely due to the subsidizing of production and productivity improvements resulting in production at lower cost and frequently better quality. The range of commodities produced for domestic consumption and export had also expanded in a number of countries.

37. The major problem was therefore the imbalance between supply and demand and the most effective remedies lay in the field of domestic policy adjustment, reducing dependence on individual commodities in response to trends in demand, vertical or horizontal diversification, and increased productivity in order to enhance comparative advantage. The developing countries should therefore pursue structural adjustment policies which took account of market forces and competition, while improving their production, marketing and distribution infrastructure in order to compete better in world markets. Effective diversification would also make developing countries less vulnerable to commodity price reductions; commodity-producing developed countries must also strive to reduce imbalances between supply and demand.

38. There were various ways in which international cooperation could complement and support national commodity policies. The second account of the Common Fund for Commodities should become fully operational as soon as possible and should benefit the least developed countries in particular. More generally, a favourable external economic environment would strengthen international demand for commodities and effectively complement domestic policies. In order to support commodity production and diversify exports, the European Community had adjusted its compensation and intervention mechanisms, the System of Stabilization of Export Earnings (STABEX) and the System for Stabilizing Export Earnings in the Mining Sector (SYSMIN), which now worked fully on a grant basis. Developed countries should continue to provide appropriate technical and financial assistance to developing countries to help them implement their reforms.

39. However, experience had shown that efforts to stabilize prices, particularly through international commodity agreements, were largely ineffective. Thus the International Coffee Agreement had been unable to support prices in the sector, which had fallen dramatically. Nevertheless, the renegotiation of existing agreements could be considered provided that that was compatible with long-term market trends. The Community was

(Mr. Brummel, United Kingdom)

participating fully in the renegotiation of international agreements dealing with cocoa, coffee, rubber and tropical timber.

40. The success of the eighth session of UNCTAD would help to strengthen that body's activities in the commodities sector. UNCTAD should continue its efforts to facilitate coordination of bodies involved in the commodities sector and explore new ways of dealing with commodity issues, particularly by encouraging diversification. A refocused Standing Committee on Commodities provides a useful forum for the collection of good information, improved analysis and the promotion of best practice in the commodities sector on the basis of principles compatible with the functioning of the markets. The Standing Committee should take into account the specific situation of each country and each product and the particular problems of the least developed countries. The work of international commodities organizations and study groups should be made more transparent and they should produce improved statistics and market analyses.

41. Commodities were natural resources and as such were an important aspect of sustainable development. The Committee on Commodities of UNCTAD should examine the relationship between the use of commodities and sustainable development. In so doing, account should be taken of the ongoing discussions on the follow-up to the United Nations Conference on Environment and Development. The Committee on Commodities should consider ways of enhancing the competitiveness of natural products with environmental advantages and ways in which the development of the commodities sector, notably through diversification, and environmental concerns could be made mutually reinforcing.

42. An open international trading environment was important, while the early conclusion of the Uruguay Round would considerably improve the prospects for commodity producers. It should also be remembered that there was a potential for change in the pattern of commodity trade, notably as a result of the move towards market economies in the countries of Central and Eastern Europe and an increase in South-South trade.

43. Mr. JARAMILLO (Colombia) said that his country, like many developing countries, had to transform its production structures in order to become competitive. That process of internationalization must be based on internal balance and stability and sound macroeconomic management, which would require austerity measures and even a sharp reduction in public spending. Reform was needed in the financial sector, the employment sector, the service infrastructure and the State itself, which needed to be made more efficient. An immense effort was therefore required.

44. However, an economic model of that nature was based on the assumption that the external climate would be favourable and that the industrialized countries would also meet their responsibilities. In fact, there were large areas of uncertainty in the international climate which could jeopardize the efforts undertaken and generate fresh risks. In 1992, for example, world per

(Mr. Jaramillo, Colombia)

capita income would fall for the second consecutive year, while the international economy was still very weak. The world recession was due mainly to the economic policies pursued by the countries of the North, which put their own national interests first and neglected those of the developing countries, while continuing to advocate greater interdependence and increasing globalization of the economy. There was still no macroeconomic policy mechanism which embraced both the developing and developed countries. Yet the United Nations would be the most appropriate body to play that role.

45. The participation of the international financial institutions was vital in order, inter alia, to ensure effective multilateral monitoring of external imbalances originating in the developed countries and to keep track of the macroeconomic policies pursued by those countries, with particular emphasis on their impact on developing countries. However, the policies of those institutions should also be closely monitored by the competent organs of the United Nations. The continual changes in the rules applied by the financial organizations and the sudden switch from one kind of conditionality to another were extremely harmful to developing countries. A mechanism should therefore be established for examining financial policies and coordinating discussion of them with other development questions. The opening up of the industrialized countries' markets under transparent and non-discriminatory conditions remained one of the objectives of the developing countries. The elimination of trade barriers which held back the production of developing countries was a precondition for a resumption of growth, better prospects for success in combating poverty, easier access to technology transfer, a definitive solution to the external debt problem and the creation of the conditions needed for sustainable development.

46. That was why, despite the recent disappointments, the Uruguay Round negotiations should be pursued with a view to the ultimate establishment of a global trading system based on multilateralism. Such a system should not discriminate against the products of the countries of the South. Yet the tariffs imposed by the developed countries were the highest for the sectors and products of the greatest importance to the developing countries. At the same time, tariffs among the industrialized countries themselves were low. The Uruguay Round should improve the rules and disciplines of GATT and should lead to an effective dispute settlement system. The provisions guaranteeing special treatment for the developing countries must be maintained and improved. Liberalization was needed in the textile market in order to dismantle the Multifibre Arrangement within a reasonable time period, as well as in the agricultural products market, in particular for tropical products. It would be impossible to bring the Uruguay Round to a satisfactory conclusion without agreement on the agriculture component.

47. It was perplexing to note the position taken by some developed countries, whose policies were at odds with the objectives of the GATT negotiations. Those negotiations would fail if the parties continued to encourage increasing use of subsidies by the industrialized countries and if, rather than seeking a

(Mr. Jaramillo, Colombia)

political solution to the deadlock, they continued to resort to retaliatory protectionist measures. The negotiations were about two years behind schedule. That delay had already been very costly for the countries that had adopted open-market trade policies.

48. The trend towards the formation of regional blocs of developed countries was of concern to the developing countries. The North American Free Trade Agreement (NAFTA) and the European common market were cases in point. The developing countries understood that, from the standpoint of internationalizing trade relations, all bilateral, subregional or regional market liberalization processes represented a step forward. But to be compatible with multilateralism, free-trade zones should be accompanied by an open economic policy towards the rest of the world. In that way, the trade distortions that closed trading blocs inevitably caused could be avoided or offset. That was why a distinction should be made between, for example, the type of economic union practised in Latin America, which was characterized by unequivocal openness to the world economy, and that practised by some industrialized countries, which consisted first and foremost of using high tariffs, non-tariff measures and generous subsidies to erect protectionist barriers against the rest of the world.

49. The agreements collectively known as the Cartagena Commitment had resulted in the programme before the current session of the General Assembly in the context of the proposed revisions to the medium-term plan for the period 1992-1997. It also provided a platform for the various future negotiations on the question of trade and development. The Cartagena Commitment would serve, too, to guide the Committee's deliberations on that topic. Colombia had agreed to host the eighth session of UNCTAD at a time when the Conference's image had been at its lowest point. It had been the desire of Colombia to help the Conference overcome sterile confrontation and to revitalize the institution in order to make it the leading forum for the examination of development issues. The Cartagena Commitment constituted an unprecedented effort to modernize UNCTAD and the intergovernmental machinery. It was important for the General Assembly to join in supporting the agreements adopted by all the States represented at that session, and for those States to give their support to the institutional reforms decided at Cartagena. UNCTAD should strengthen its role as the principal organ of the Assembly in the area of trade and development, an area in which States and the United Nations system should fully implement the Cartagena Commitment. The Cartagena Commitment demonstrated a spirit of real cooperation and solidarity, but it also called for specific measures.

50. Colombia joined the Rio Group in supporting the initiative submitted to the General Assembly by the Brazilian Minister for Foreign Affairs concerning the preparation by the Secretary-General of an agenda for development, which would be the necessary complement to the "Agenda for Peace". The equilibrium of the United Nations depended on the proper distribution of its activities between the problems of peace and security and those of development.

51. Mr. ROBLES (Mexico) said that the increasing internationalization of production, technology and finance had led to the adoption of radical reforms in many countries, particularly the developing countries. In that new context, many countries had implemented adjustment and modernization programmes aimed at making their economies more efficient and competitive. The first goal was to restore growth and thereby improve the standard of living.

52. Opening national economies to the world economy was a key element in such strategies. The possibilities for increased trade inspired great hopes. Indeed, an open, transparent trading system was a necessary prerequisite for the proper development of the international economy. However, the liberalization of trade must be given a practical orientation. Like many developing countries, Mexico had lowered its trade barriers quantitatively and qualitatively, with the result that the Mexican economy was now one of the most open in the world.

53. Mexico was anxious to strengthen its trade relations with all regions. A free-trade agreement had been signed with Chile, and similar initiatives were planned with Central America and the Andean Pact countries. The recently signed free-trade agreement with the United States and Canada, which respected the principles of multilateralism, would provide a more predictable basis for trade. The purpose of all those initiatives was to arrive at a more dynamic trading system.

54. In most instances, the processes of achieving a more open economy had entailed adjustments that had had high costs for the countries making them. Paradoxically, those reforms had been instituted at a time when protectionist measures had been on the rise and when the most important international-level trade talks had reached a dangerous impasse.

55. Frequently, there was a very marked difference between what the major players in the international economy said and what they did. While defending the principle of free trade, they were at the same time enforcing protectionist measures and setting up new trade barriers. Thus in recent years the principal promoters of free trade had been the developing countries. The uncertainty surrounding the access of their products to the principal markets compromised the considerable efforts made by the developing countries, especially in the area of trade.

56. The results of the Uruguay Round would constitute the cornerstone of economic relations for the coming decades. The absence of an agreement on the agriculture component had brought the entire negotiation process to a standstill. Recent events in that area, which had brought two of the major trading partners into confrontation, could lead to a wide-scale trade war that would endanger the entire multilateral trading system. The deadlock could be broken only through political decisions.

(Mr. Robles, Mexico)

57. The eighth session of the United Nations Conference on Trade and Development constituted an historic event on the multilateral scene. The spirit of Cartagena had given rise to a new partnership committing all nations to work together for development. The purpose of the institutional reform adopted at that meeting was to strengthen UNCTAD in the context of the restructuring and revitalization of the United Nations. Thus Mexico welcomed the results of the second part of the thirty-eighth session of the Trade and Development Board, especially the terms of reference of the standing committees and ad hoc working groups.

58. Mr. DUGAN (United States of America) said that at the eighth session of the Conference the members of UNCTAD has formed a new partnership for development. Recognizing that peace and prosperity were indivisible and that lasting peace and security required effective international cooperation, they had recommitted themselves to addressing urgently the problems of economic and social development.

59. In that context effective national action should be taken to achieve sustained and non-inflationary growth firmly supported by international cooperation aimed at improving the external economic environment. A firm and tangible commitment to multilateralism had also been judged necessary.

60. The members had declared that the ultimate goal of UNCTAD was to achieve steady rates of sustained growth in all countries and accelerate the development of developing countries. The attainment of that objective would require concerted efforts for development. Working together through the new international partnership the global community should aim to erase the scourge of poverty, provide support for national reform programmes, encourage efficient use of global resources, and address economic and social problems through coherent and mutually reinforcing policies. The members had pledged themselves to strengthen UNCTAD as a forum where all nations participated fully and equally and with mutual respect in the building of a peaceful, equitable and prosperous world.

61. Recognizing that the viability of UNCTAD required reform of its institutional structures, the members had decided to suspend all its present work and subsidiary bodies and to change its work programme and work methods. Renouncing endless discussion of unimportant resolutions, the members of UNCTAD were now emphasizing a dynamic and progressive sequence of work involving the initial identification of a relevant set of issues, high-quality analytical work benefiting from contributions by governmental and non-governmental experts, and intergovernmental consultations aimed at the identification of areas of convergence. UNCTAD activities must be based on careful and rigorous analysis. Consensus building had become the most important function. It was now a question of defining common interests and promoting convergence by making the sharing of national experience and views an integral part of the process.

(Mr. Dugan, United States)

62. With the new work methods of UNCTAD clearly stated, the members had then conducted an extensive examination of the issues to be tackled. Four standing committees had been created, on poverty alleviation, commodities, economic cooperation among developing countries, and the fostering of services sectors. Six ad hoc working groups had also been formed; they had two-year mandates and could call on outside advisers. Such exchanges of experience ought to lead to a closer understanding of problems, and all such activities would help to strengthen the trust between developed and developing countries. Some of the new groups had already begun to meet, and their members, demonstrating the new Cartagena spirit of cooperation, were moving in a very positive direction.

63. The United States welcomed the restructuring of UNCTAD and the current reforms, which ought to make UNCTAD a centre of excellence in research, analysis, discussion, consensus building, and technical assistance. UNCTAD should thus become a model for reform of the United Nations itself.

64. Mr. Balzan (Malta), Rapporteur, took the Chair.

65. Mr. CUBILLOS (Chile) said that the eighth session of the Conference had marked an important stage in the development of international economic relations. It could be considered a success in the light of the conditions prevailing before the Conference, for they had been characterized by a lack of mutual confidence among member States, of concrete results in the negotiations, and of the political will to devise solutions acceptable to all sides.

66. UNCTAD VIII had opened the way for more concrete cooperation within the framework of existing mandates. Governments had clearly decided to create a genuine climate of cooperation and solidarity instead of confrontation. The spirit of Cartagena reflected the political will to ensure that development became a priority issue and to establish a new partnership for development.

67. The Conference had recognized that international détente ought to bring with it a reduction in military expenditures which would free resources to fund the social development of developing countries and combat poverty. The Trade and Development Board had already decided to create an ad hoc working group for that purpose.

68. Furthermore, the members of UNCTAD had noted that economic reforms and the democratization of procedures, particularly in the case of respect for human rights, had accelerated. The persistence of poverty, in many developing countries in particular, was unacceptable and demanded the adoption of measures at both the national and international levels. The elimination of that scourge would contribute to the expansion of world trade and to sustainable development. Development was in fact a process focused on individuals with the aim of improving their circumstances.

(Mr. Cubillos, Chile)

69. With regard to the guidelines, the Conference had stated that good economic management required action at the government level to establish a framework and rules which could ensure the proper functioning of markets and a climate favourable to economic activity.

70. The developing countries must intensify their efforts to modernize their economies in accordance with their national priorities and plans. The developed countries should endeavour to apply at the national level policies for the promotion of non-inflationary growth and structural adjustment. The necessary transformation of the international economic framework must be designed to set development on firmer foundations and create more favourable conditions for the vigorous structural reforms undertaken by the majority of the developing countries. Good economic management at the international level therefore required increased transparency in the measures taken by the agents of development and the active participation of all countries in the decision-making process.

71. The Conference had reaffirmed UNCTAD's mandate in the sphere of international trade and related issues, as set forth in General Assembly resolution 1995 (XIX). In accordance with that mandate, the functions of UNCTAD were policy analysis; intergovernmental deliberations; the quest for consensus, and negotiation, monitoring, implementation and follow-up; and technical cooperation. Accordingly, the organization must continue its development activities but must also adopt a more flexible management approach through the introduction of major institutional reforms, since the adaptation, reorientation and consolidation of its substantive work required a new approach to long-standing problems.

72. His Government welcomed the new institutional machinery established by the Conference. The newly established standing committees and ad hoc working groups should enable substantial progress to be made towards solving the problems impeding development, since they would comprise experts and senior officials with practical experience of questions that had previously been considered in a highly politicized climate.

73. The Trade and Development Board must play a more active role in determining policies, evaluating the achievements of subsidiary organs and examining questions each year relating to interdependence, trade policies, structural adjustment and economic reform. Experts and senior officials should be invited to those deliberations so as to enrich the discussions.

74. Commenting on the first part of the thirty-ninth session of the Trade and Development Board, he observed that the debates had demonstrated that the institutional changes made by the Conference were having the desired effect. The debate on interdependence had assumed particular importance as a result of participation by high-level experts. It had been recognized that monetary and budgetary policies should be conceived in such a manner as to promote short-term recovery and eliminate medium-term and long-term structural

(Mr. Cubillos, Chile)

imbalances. It had been deemed essential to coordinate macroeconomic policies in order to promote economic growth. Such coordination must take account of the interests of the developing countries.

75. He welcomed the fact that the Board, in accordance with the general agreements reached at the eighth session of the Conference, had decided to establish an Ad Hoc Working Group on the issue of structural adjustment during the transition to disarmament. The new organ, which would need to take into account political, economic and social factors, would add a new dimension to the deliberations on disarmament and the eradication of poverty.

76. Lastly, his delegation, reaffirming the success of the eighth session of the Conference, said that the tasks to be performed in the "spirit of Cartagena" would give positive results if the developed and developing countries maintained a constructive climate of cooperation and avoided confrontation. The anticipated institutional reform should accelerate progress on issues within the purview of UNCTAD. To that end it was essential for experts and senior officials from the member countries, including the least developed countries, to participate in the meetings of the standing committees and ad hoc working groups. Sustainable development must be a priority in the work of UNCTAD, including in the area of commodities, poverty eradication, services, investment and resource flows. The Ad Hoc Working Group on poverty alleviation should establish a link between macroeconomic policies and poverty, as well as between other economic growth trends and levels of poverty. It should also consider the impact of structural adjustment programmes on poverty. The secretariat of UNCTAD must be provided with sufficient human and financial resources to enable it to discharge the new tasks defined at the eighth session of the Conference.

77. The Cartagena meeting had marked an important phase in the international dialogue on disarmament, largely due to the identification of a correlation between economic and social factors and the fact that they were dependent on peace and democracy.

78. Mr. Guerrero (Philippines), Vice-Chairman, resumed the Chair.

79. Mr. REN Quan (China) said that the new partnership for development begun at the eighth session of the Conference was of fundamental interest to all members of UNCTAD. The latter should be guided by the principle of mutual benefit in tackling the challenges of the 1990s, and should settle their differences through dialogue, in a spirit of compromise. The mandates of the standing committees and ad hoc working groups newly established within UNCTAD should fully reflect the spirit of Cartagena.

80. The question of commodities involved the vital interests of many developing countries. Since the 1980s the world market had continued to deteriorate and the prices of raw materials and primary commodities had plummeted, inflicting heavy losses on developing countries. The solution of

(Mr. Ren Quan, China)

problems in that area required the formulation of sound and consistent policies at both the national and international levels. The eighth session of the Conference had produced a series of useful recommendations on that question which, if implemented, would resolve many problems. The economic development of developing countries also required a favourable external economic environment. Countries which adopted commodities strategies tailored to their own circumstances should also be supported by the international community. Developed countries and the relevant international organizations should provide financial and technical assistance to developing countries for the development of their commodities. UNCTAD should continue its role as a coordinator for various organizations in the field of commodities, study the relationships between commodities policies, the use and management of natural resources and sustainable development, and provide technical assistance.

81. Island developing countries were faced with special difficulties. The international community should help them improve their communications and transport infrastructures, enhance their ability to resist natural disasters, help them develop marine resources, and increase financial and technical assistance with a view to promoting their economic development. The efforts made by island developing countries to protect their environment and overcome their natural handicaps should also be supported. UNCTAD should strengthen its role in that area.

82. China was greatly concerned by the delays in the Uruguay Round and trusted that the participants would make every effort to break the current deadlock and bring the negotiations to a speedy conclusion.

ORGANIZATION OF WORK (A/C.2/47/L.1 and Add.1)

83. The CHAIRMAN said that consideration of item 78 (Part VI) concerning the report of the World Food Council had been deferred owing to the late issuance of documentation.

The meeting rose at 1.20 p.m.